

Eurozone: inflation is on the rise again

ECB under pressure

This is a logical but worrying consequence of tensions in the Middle East: inflation accelerated again in May within the euro zone, with price increases reaching 3.2% year-on-year, compared to 3% the previous month, according to the latest data published by Eurostat on Tuesday. This is the first time it has exceeded 3% since 2023.

According to this first estimate by the European statistics institute, consumer prices were driven by the surge in energy prices, due to the repercussions of the conflict with Iran, but also in services and industrial goods.

On the other hand, core inflation, which excludes the most volatile goods (including energy and food) rose slightly more strongly than expected, to 2.5% year-on-year, while economists were expecting 2.4%.

According to Eurostat, Bulgaria recorded the highest level of inflation in May, at 6.3% over one year (+0.3 points).

The increase in prices in Europe is likely to force the ECB to raise its key rates, which have remained unchanged since last summer, by 25 bps as early as next week at its meeting on 11 June.

The monetary institution has so far refused to do so, particularly in view of the slowdown in growth in the euro zone, which fell to only 0.1% in the first quarter, and the great uncertainty about the duration and extent of the "energy shock" linked to the conflict in the Middle East.

Figure of the week

3,2% 

Inflation rate in the euro area
(May)



Activity in the euro area runs out of steam

Private sector activity in the euro zone contracted in May at a sustained pace, the strongest in 18 months.

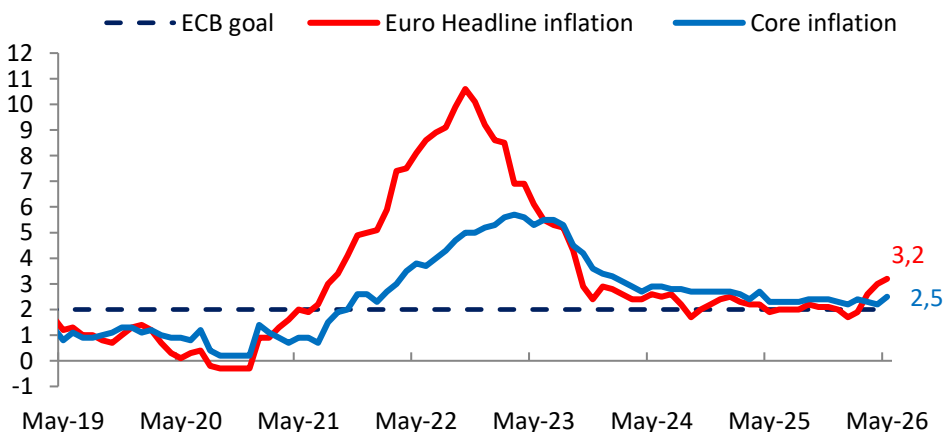
The S&P Global composite PMI in the euro zone fell to 48.5 in May from 48.8 in April, marking its lowest level since November 2024.

At 47.7 in May, the PMI for the services sector remained in negative territory, signalling a further monthly decline in service provider activity. However, it recovered very slightly compared to April (47.6), indicating that the slowdown remains marginal.

Conversely, the PMI for manufacturing fell to 51.6 in May, from 52.2 in April.

New orders stagnated in May, marking a sharp reversal from April, when demand, a key indicator of the sector's health, saw its strongest growth in four years as consumers anticipated their purchases. Export orders declined, accentuating the decline in overall demand.

Inflation trends in the euro area





New direction at the Fed

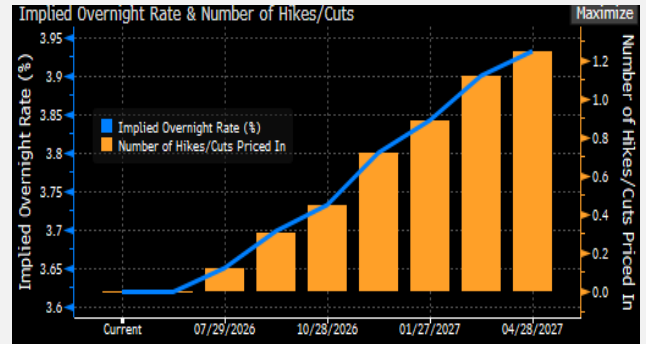
Fed analysts expect Warsh to begin revamping the central bank's interest rate guidance as early as this month, as part of the new chairman's broad restructuring of the institution.

It seems to want to greatly reduce, or even eliminate, several communication tools such as "forward guidance" and the "dot plot".

For investors, this likely means a Fed that is less legible in the short term, but also potentially a Fed that seeks to influence markets less in its announcements. Today, they interpret every word of the press release, every dot plot point and every nuance of tone very finely.

If Kevin Warsh withdraws part of this communication, the markets will have to refocus more on macroeconomic data.

Expectations of Fed rate hikes



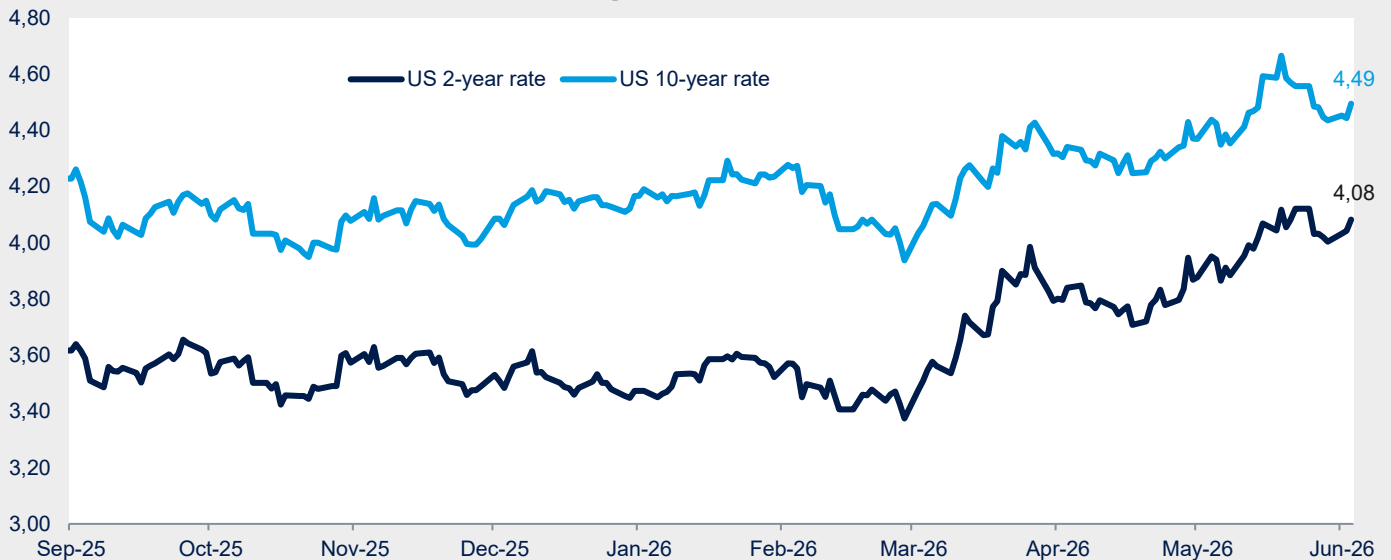
Source: Bloomberg

“ Unlike many of my colleagues, past and present, I do not believe in forward guidance ”

Kevin Warsh, Fed Chair, 03/06/2026

Market impact

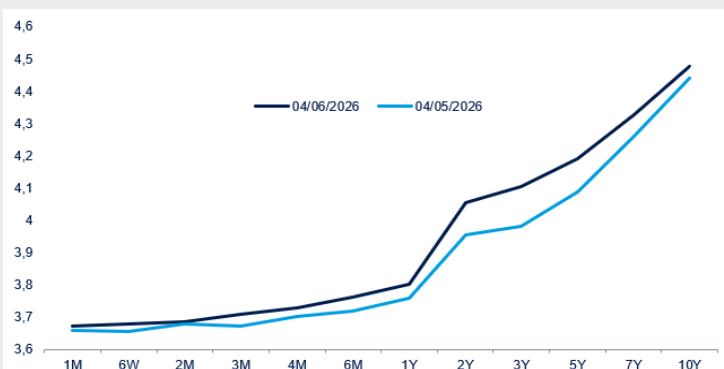
US sovereign rates (%)



Markets were under pressure from the opening with the announcement of new Iranian strikes that hit parts of the Gulf, including Kuwait. Thus, yields have started to rise again. The 2-year and 10-year rates have risen by 5 bp and 4 bp respectively since June 1st.

Source: Amundi, Bloomberg

US yield curve (%)



Rates continue to rise over the month.

The 2-year, 3-year and 5-year maturities increased significantly, by 10 bp, 12 bp and 10 bp respectively.

Source: Amundi, Bloomberg



The good health of the US labour market

The latest publication of the JOLTS report for April, published on 2 June 2026, was a surprise. The number of job openings in the United States skyrocketed to 7.618 million.

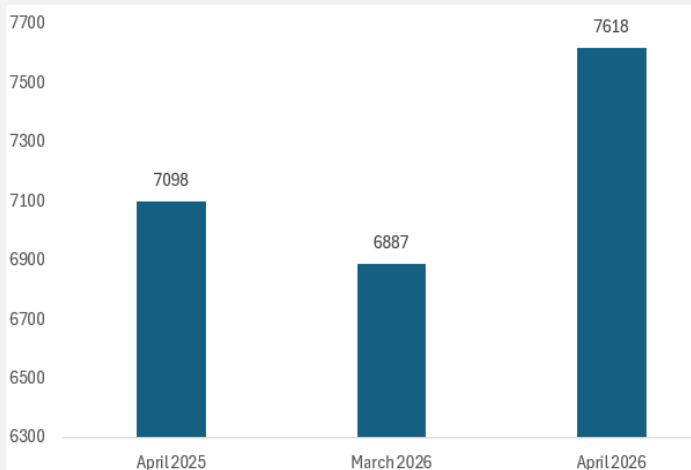
Economists were forecasting a figure of 6.866 million vacancies, meaning that the actual number of available jobs exceeded forecasts by more than 750,000.

This massive increase contradicts the recent trend of a gradual slowdown in the labor market and thus proves that U.S. companies' demand for labor remains strong.

For the Fed, this leading indicator represents a real turning point and a powerful pro-inflationary impulse. Such a drastic increase in the number of job vacancies relative to the number of unemployed automatically raises concerns about a return to strong wage pressures.

Therefore, this figure of 7.618 million puts the Fed in a difficult position and is a strongly hawkish signal.

Job creation in the United States



Source: Bureau of Labor Statistics, Amundi

News



▶ **United Kingdom** | S&P Composite PMI Global at 44.9 (May)

▶ **Eurozone** | Unemployment rate at 6.3% (April)

Agenda



▶ **5 June** | Publication of the unemployment rate in the United States (May)

▶ **10 June** | Publication of the inflation rate in the United States (May)

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